

FISCAL NOTE

SB 1767 - HB 1789

March 14, 1997

SUMMARY OF BILL: Enacts the *Patient Advocacy Act of 1997* which requires all insurers to inform prospective and current enrollees in writing of specific items in the terms and conditions of the health benefit plan. Also requires all insurers to permit any provider to participate in the plan if that provider agrees to accept the reimbursement rates and meets the credentialing standards of the insurer. Prevents an insurer from imposing any financial penalty that would affect a beneficiary's choice of health care providers. Requires an appeal mechanism for any provider who is denied credentials by the insurer and requires an arbitrated hearing in certain cases. Allows for action in a civil court by an health care provider who is adversely affected by a violation of the act.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures	Exceeds \$5,000,000 / Over-Time
Increase Local Govt Expenditures *	Exceeds \$1,000,000 / Over-Time

Assumes that the provisions of the bill will result in an estimated increase in expenditures to the state employee health plan, increased expenditures to local governments utilizing the state health plan or that utilize private plans and ultimately an increase in capitation rates paid in the TennCare program.

This estimate is based on the following:

- An incentive presently exists for health care providers to accept set fee schedules or agree to discounts against usual and customary fees in order to be a part of large health care plans.
- Even though contracts with health care providers may not specifically guarantee a volume of patients, it appears logical on the part of the provider to conclude that such plans bring with them incentives or mandates for plan members to use providers in the plan.
- Allowing an increased number of providers into a plan reduces the likelihood that a provider will receive a significant amount of business as a result of being a member of such plan, removing most of the incentive for that provider to accept set fee schedules or agree to specified discounts against usual and customary fees.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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